



FACT SHEET

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Agreement on Free Trade and Economic Partnership between Switzerland and Japan

Overview

On 19th February 2009, the Head of the Swiss Federal Department of Economic Affairs Doris Leuthard and the Japanese Foreign Minister Hirofumi Nakasone signed an Agreement on Free Trade and Economic Partnership (FTEPA). Economically, this is the most important free trade agreement (FTA) signed by Switzerland since the 1972 FTA between Switzerland and the European Community (EC). The negotiations were officially launched in January 2007. The first round of negotiations took place in May 2007 in Tokyo. Since then, a total of eight negotiation rounds have taken place – alternately in Switzerland and in Japan.

Since the beginning of the 1990s, Switzerland has been building a network of free trade agreements with numerous countries outside the European Union. The FTEPA with Japan will further extend Switzerland's network of preferential agreements. The constant improvement of access to foreign markets represents a core objective of Swiss foreign economic policy. By entering into FTAs, Switzerland aims to provide its companies with a level of access to international markets that is at least equivalent to the market access conditions enjoyed by its most important foreign competitors. Free trade agreements are therefore an important instrument in maintaining and strengthening Switzerland's competitiveness as a business location.

Japan, as the world's second largest economy after the United States, is one of the major foreign markets for the Swiss economy, and represents our largest trading partner in Asia. In 2008, Swiss exports to Japan amounted to CHF 7.1 billion (3.3% of all exports) and the volume of Swiss imports from Japan was valued at CHF 4.1 billion (2.1% of all imports). The most important Swiss export products to Japan are chemical and pharmaceutical products, watches and machines. The main Japanese export items to Switzerland are vehicles, precious metals and jewellery, machinery and chemicals.

Trade in services between Switzerland and Japan is also substantial. Swiss service providers are active on the Japanese market inter alia in the areas of financial and engineering services, tourism and commodities trading.

Switzerland is a major investor in Japan. According to statistics from the Swiss National Bank, the capital stock of Swiss direct investments in Japan amounted to almost 12 billion francs at the end of 2007, which corresponds to 1.8% of all Swiss direct investments abroad. With 2.9% of the total stock of foreign direct investment, Switzerland is ranked 8th among foreign investors in Japan.

The first treaty on Trade and Amity between Switzerland and Japan was concluded in 1864. The FTEPA will put the already close Swiss-Japanese trade and economic relations on a new, solid footing and will contribute to further deepening bilateral ties.

Major elements of the agreement

The FTEPA establishes a comprehensive economic partnership between Switzerland and Japan. It contains substantive provisions on trade in goods (liberalisation of trade in industrial products as well as selected processed and basic agricultural products, rules of origin, custom procedures, trade facilitations and provisions relating to non-tariff barriers), trade in services, the movement of natural persons for business purposes, the establishment and protection of investments, the protection of intellectual property, the promotion and facilitation of electronic commerce, provisions in the field of competition and the promotion of a closer economic relationship.

Unlike most of Switzerland's FTAs with third countries outside of the EU, which are normally concluded together with the other Member States of the the European Free Trade Association (EFTA), Iceland, Liechtenstein and Norway, the FTEPA is a bilateral agreement between Switzerland and Japan. Due to the specific trade structure between Japan on the one hand and Iceland and Norway on the other hand, it has not been possible to include the other EFTA States into the negotiations. On the basis of the Customs Union Treaty of 1923 between Switzerland the Principality of Liechtenstein, the provisions on trade in goods of the FTEPA will also apply to the territory of Liechtenstein.

In particular, the FTEPA contains substantive provisions in the following areas:

1. **Establishment of a free trade area for industrial goods and selected agricultural products:** With the entry into force of the FTEPA, almost all tariffs on industrial goods will be dismantled. Most industrial goods will benefit from tariff dismantling from the entry into force of the Agreement. For a small number of industrial products, the Japanese tariffs will be dismantled after a transitional period.

Regarding agricultural products, Switzerland and Japan will grant each other tariff concessions on a selected range of basic and processed agricultural products. Japan will grant Switzerland preferential market access in particular for Swiss cheese specialities, dried meat, chocolate, wine and cigarettes. Switzerland will grant Japan preferential market access *inter alia* for ornamental plants "Bonsai", high quality gift fruits, Sake (rice wine) and cigarettes.

The provisions on trade in goods also contain rules of origin, provisions on customs procedures and trade facilitation, as well as provisions relating to technical barriers to trade (TBT) and sanitary and phytosanitary measures (SPS).

2. **Trade in services:** Provisions in this area are built on the WTO services agreement (GATS) and include a number of "GATS-plus" elements in certain areas. Annexes on financial services, telecommunication services, disciplines on domestic regulation in services, and the recognition of qualifications of service suppliers contain additional sector-specific provisions that go beyond the GATS level. Exceptions to the principles of market access, national treatment and most-favoured nation (MFN) treatment are inscribed following a so-called "negative list" approach.

Moreover, the FTEPA contains provisions on the **entry and temporary stay of natural persons for business purposes**. This chapter contains specific provisions on transparency and procedures regarding the entry and temporary stay of natural persons. The Parties have contracted specific commitments on the entry and temporary stay of certain categories of natural persons of the other Party; the level of commitments taken by Switzerland is comparable to that contained in previous Swiss FTAs. The provisions

in this area conform to the Swiss legislation on foreigners and cannot be compared to the agreement of the Free Movement of Persons in force between Switzerland and the EU, as, similarly to the GATS, they mainly relate to service providers.

3. Provisions concerning the establishment and protection of **investments**: The FTEPA will facilitate the establishment of Swiss and Japanese investments based on the principles of national treatment and MFN. In addition, this chapter contains provisions on the protection of established investments.
4. Provisions on strengthening the protection of **intellectual property**: The FTEPA contains, inter alia, provisions improving the protection of copyrights, trademarks, designs, patents, new plant varieties, geographical indications, confidential test data, as well as in respect of unfair competition. In addition, the FTEPA contains provisions on the enforcement of intellectual property rights.
5. Provisions to promote and facilitate **electronic commerce**: The FTEPA is Switzerland's first FTA to include specific provisions on trade in electronic products and services, digital signatures and the protection of online consumers. The chapter also includes obligations regarding digital products, electronic certificates and electronic signatures.
6. Provisions in the field of **competition**: the agreement contains provisions designed to prevent anti-competitive behaviours from frustrating the benefits derived from the Agreement. Furthermore, detailed provisions on cooperation between competition authorities of both countries are foreseen.
7. As Japan and Switzerland are both parties to the plurilateral WTO Agreement on **Government Procurement** (GPA), the provisions on government procurement are limited to a reference to the GPA as well as evolutionary and negotiation clauses.
8. A **Joint Committee** overseeing the implementation and further development of the Agreement will be established. In addition to the Joint Committee, several technical subcommittees will be created. For the first time in a Swiss FTA, the FTEPA will contain provisions on the promotion of closer economic relations involving the **private sectors** of both countries. This will create an instrument by which specific concerns and problems faced by industries can be directly addressed in the bilateral context.

The FTEPA includes in its preamble a statement concerning **environmental protection** and sustainable development. Besides, the WTO exception clauses, which also apply to the FTEPA, allow the adoption of measures deviating from the Agreement for the purposes of environmental protection. In addition, the FTEPA contains an article on the promotion of environmental products and environmental-related services. Furthermore, the Investment chapter, includes a provision stipulating that it is inappropriate to encourage investment activities by relaxing domestic health, safety or environmental measures or lowering labour standards. Regarding **human rights**, both countries reaffirm in the preamble of the Agreement their commitment to human rights and fundamental freedoms in accordance to the principles of the Universal Declaration of Human Rights.

Economic benefits

The FTEPA will improve framework conditions as well as legal certainty for Swiss exporters, investors and services providers. Moreover, the FTEPA prevents potential discrimination that may result from the conclusion of FTAs between Japan with third countries.

The FTEPA will result in the elimination of a large part of customs duties levied on imports from Japan (CHF 15.7 million in 2007, of which CHF 15.2 million on industrial products and CHF 0.5 million on agricultural products.). These losses have to be evaluated in relation to the advantages ensuing from the preferential access to the Japanese market: with the FTEPA, the largest part of customs duties on Swiss exports to Japan will be dismantled. In 2006, the average of Japanese tariff burden was near 6.5%. Although most Swiss export products (machines, watches and some pharmaceutical products) are already exempted from custom duties or subject to very low tariff rates, the savings for Swiss exporters can be estimated at around CHF 100 million per year.
